

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 4, 2021

1:31 p.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Ivy Spohnholz
Representative Harriet Drummond
Representative Sara Hannan
Representative Tom McKay
Representative Kevin McCabe

MEMBERS ABSENT

Representative Mike Cronk

COMMITTEE CALENDAR

PRESENTATION: STATEWIDE AVIATION & INTERNATIONAL AIRPORTS

- HEARD

HOUSE BILL NO. 104

"An Act relating to vehicle registration and registration fees; relating to the motor fuel tax; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 104

SHORT TITLE: MOTOR FUEL TAX; VEHICLE REG. FEE

SPONSOR(s): REPRESENTATIVE(s) JOSEPHSON

02/19/21	(H)	READ THE FIRST TIME - REFERRALS
02/19/21	(H)	TRA, FIN
03/04/21	(H)	TRA AT 1:30 PM BARNES 124

WITNESS REGISTER

JOHN BINDER
Deputy Commissioner
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint and answered questions during the meeting.

REPRESENTATIVE ANDY JOSEPHSON

Legislator

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 104 as prime sponsor.

NATHANIEL GRABMAN

Staff to Representative Andy Josephson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint and answered questions during the meeting.

ROB CARPENTER

Deputy Commissioner

Department of Transportation & Public Facilities

Juneau, Alaska

POSITION STATEMENT: Answered a question during the meeting.

ACTION NARRATIVE

[1:31:31 PM](#)

CHAIR GRIER HOPKINS called the House Transportation Standing Committee meeting to order at 1:31 p.m. Representatives Drummond, Hannan, McKay, McCabe, and Hopkins were present at the call to order. Representative Spohnholz arrived as the meeting was in progress.

PRESENTATION: Statewide Aviation & International Airports

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JOHN BINDER, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), went over the layout of organization and leadership the aviation system. Underneath Deputy Commissioner Binder, the aviation system was divided into the Alaska International Airports System (AIAS) and Statewide Aviation (SWA), which includes 235 rural airports. Anchorage and Fairbanks international airports are required by statute to be self-sustaining enterprise systems which accept no funds from the state, and none of the revenue they generate goes to the state, he added. There are six airports in Alaska which are not under the oversight of DOT&PF, he stated.

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DEPUTY COMMISSIONER BINDER said international carriers, known as signatory carriers, operated under a 10-year operating agreement. There were currently 35 signatory carriers, he stated. Signatories shared financial risk in exchange for capital and operating input and discounted fees, organized and engaged AIAS as Airline Airport Affairs Committee (AAAC), and had co-chairs who were representatives for UPS and Alaska Airlines, he imparted. Airports had the authority to "back-bill" carriers so that the system always ended up even, he said. Alaska International Airport System issued general airport revenue bonds (GARBS) through State Bond Committee, and there was some outstanding debt, he disclosed.

DEPUTY COMMISSIONER BINDER went over the annual revenue and Operations, maintenance, and debt costs with the committee (slide 7), the majority being aeronautical-related, such as landing fees, he pointed out. The chart on the right, operating costs, did not include airport-funded capital costs, he pointed out. In terms of air cargo, domestic passenger traffic, international passenger traffic, and in-state cargo. In terms of air cargo, FY 20 was a good year, the likes of which haven't been seen since 2007-8, as depicted on slide 8 of the presentation. The graph on slide 8 also showed how critical air cargo was to the other activity, he pointed out.

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DEPUTY COMMISSIONER BINDER went over the term Certified Maximum Gross Takeoff Weight (CMGTW) on slide 9. Especially in the light of the COVID-19 pandemic, he stated, DOT&PF felt CMGTW was the best indicator of how aviation was doing from a budgetary standpoint. How much steel is landing was represented, and how much of that was air cargo. With the pandemic, things have picked up cargo-wise, since full freighters needed to stop for fuel, and the state of Alaska benefitted from that. As a counter, there was a huge decline in passenger travel in FY 20. Since 60-70% of airport revenue was related to passenger-type activities, CARES grant funds were used to close out FY 20 "in the black," and there was still a fair amount left for FY 21 and beyond to keep rates down for carriers while they are struggling during these times, he shared.

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DEPUTY COMMISSIONER BINDER, on the "Airport Improvement Program (AIP)" slide (9), pointed out entitlements represented what was earned and discretionary to what was left over. Overall, "the internationals" averaged about \$35 million a year in federal capital funding for aviation programs, he stated.

CHAIR HOPKINS asked what qualified as entitlements.

DEPUTY COMMISSIONER BINDER replied airports were entitled to federal funding based upon how much passenger and cargo activity went through an airport. Passenger totals were calculated by percentage for the year, he said. Typically, \$3.35 billion was made available to airports for the year, he said.

DEPUTY COMMISSIONER BINDER spoke to projects at the Ted Stevens International Airport, including new international passenger transfer rights, fresh, head-on seafood export to Asia.

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REPRESENTATIVE MCCABE asked about the cargo terminal expansion.

DEPUTY COMMISSIONER BINDER replied UPS and FedEx were in the process of expanding their processes in Alaska significantly and gave details on their aircrafts, 787-800 for UPS and Boeing 777 for FedEx. Both needed additional space for parking and sorting facilities, he stated. In terms of more private development opportunities, Alaska Cargo and Cold Storage was expanding, as were IC Alaska and 6A, and all these companies also needed more space.

REPRESENTATIVE MCCABE verified IC Alaska and 6A were both cargo companies.

DEPUTY COMMISSIONER BINDER replied yes, all new proposals were intended for cargo.

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DEPUTY COMMISSIONER BINDER proceeded with an explanation of the Anchorage airport projects: unmanned aircraft systems (UAS) or drones' testing; and air service expansion, especially to international markets. Slide 14 showed DOT&PF owned and operated 235 airports and seaplane bases; 173 gravel and 46 paved airports; 17 Seaplane bases, and one heliport. He reminded the committee that rural airports provided primary access for 82% of Alaskan communities off the contiguous road

system, and the rural system was not self-sustaining, but primarily funded by general funds, with some revenue via leases. There were 21 139-certificated airports (jet hubs).

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REPRESENTATIVE HANNAN asked how many of the 235 rural airports have been tested for exposure to PFAS groundwater pollution.

DEPUTY COMMISSIONER BINDER replied the primary exposure to PFAS in Alaska was related to firefighting foam, and that foam was not at any of the 21 certificated airports. To identify priority locations, DOT&PF has worked with DEC and is approximately halfway through the testing of the 21 certificated airports. He added that all the high-priority airports had been tested.

REPRESENTATIVE HANNAN asked for a list of which of the 21 have been tested and what the results were.

DEPUTY COMMISSIONER BINDER replied yes.

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DEPUTY COMMISSIONER BINDER broke down the operating costs for FY 20 in slide 15. The rural system at approximately \$40 million a year, was about 30% of the DOT&PF's highways and aviation budget, including \$14 million in federal funds. Federal dollars were required to be spent on capital items, yet there were maintenance and preservation items were eligible for federal funding. As there has been a draw down in general funds over the years, federal funds have been leveraged to accomplish tasks. The DOT&PF received \$14 million as part of the CARES grant. Approximately \$7 million was brought in from leasing receipts, and \$5 million from aviation fuel tax, which included both jet fuel and aviation gas. As climate change continued to have its drastic effects, in Alaska taking shape of freeze/thaw and freezing rain events, optimizing sand and chemical usage was important in operations. The aviation company would prefer a fuel tax over other items, but user fees and landing fees were other common mechanisms by which airports covered their costs.

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REPRESENTATIVE HANNAN asked when aviation fuel tax was last increased.

DEPUTY COMMISSIONER BINDER replied it had been a long time, at least 20 years.

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REPRESENTATIVE MCCABE asked the prices of aviation and jet fuel taxes.

DEPUTY COMMISSIONER BINDER replied jet fuel was 3.2 cents/gallon and aviation gasoline tax 4.7 cents/gallon.

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DEPUTY COMMISSIONER BINDER said rural airports brought in about \$130 to \$140 million in Federal Aviation Administration (FAA) funding, so about \$200 million for the year. Generally, rural airports were listed as 6.25% match in project eligible costs; however, a few essential air service airports in designated economically distressed communities qualified for a 5% match of project eligible costs. Most FFY 2020 project matches were 100% CARES Act-funded, he added.

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REPRESENTATIVE MCCABE asked if the federal government did away with essential air service, what would happen with the 1.25%.

DEPUTY COMMISSIONER BINDER replied it would depend how language was drafted.

DEPUTY COMMISSIONER BINDER presented an overview "snapshot" of major rural system AIP construction projects expected to be funded in FFY 2021-2022: pavement rehabilitation in Bethel, Homer, and Unalaska; rural access in Angoon, Bettles, Brevig Mission, Chevak, Ekwok, Kaltag, Kongiganak, Metlakatla, New Stuyahok, Newtok, Noorvik, Saint Mary's, Seward, and Togiak; and buildings in Cold Bay, Cordova, McGrath, and Napaskiak.

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REPRESENTATIVE HANNAN asked if there were different groupings within "rural access."

DEPUTY COMMISSIONER BINDER replied it all applied to the category of things having to be fixed infrastructure-wise. Widening or lengthening runways and bringing things up to standards all qualified.

REPRESENTATIVE HANNAN clarified Angoon would get a landing strip.

DEPUTY COMMISSIONER BINDER replied yes, in a couple of years.

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CHAIR HOPKINS asked if there was a reason for building Angoon an airport at this point, and if there were standards for when airports must be built in general.

DEPUTY COMMISSIONER BINDER replied safety considerations, weather considerations, and whether there is a decent place for an airport all factored in.

CHAIR HOPKINS clarified there wasn't a new need which had arisen.

DEPUTY COMMISSIONER BINDER there had been a need, and it was a priority process.

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REPRESENTATIVE DRUMMOND verified Angoon had been cut off from Alaska Marine Highway System (AMHS) service in 2020.

DEPUTY COMMISSIONER BINDER replied yes, which certainly helped determine Angoon qualified for an airport.

DEPUTY COMMISSIONER BINDER offered more information on drones and the Alaska Center for Unmanned Aircraft Systems Integration (ACUASI). He reported ACUASI has gone from a three to one to a 15 to one return on investments by the activity they were bringing to the University of Alaska-Fairbanks (UAF). Most of the commercial interaction and partnering was done through UAF and ACUASI; DOT&PF worked in integration with the other sister agencies/departments and federal agencies.

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CHAIR HOPKINS asked which federal agencies worked with ACUASI.

DEPUTY COMMISSIONER BINDER replied primarily FAA, but others were actively looking to test systems for future integration.

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REPRESENTATIVE MCCABE asked how big the drones were.

DEPUTY COMMISSIONER BINDER replied when the FAA talked about "small unmanned systems," most were less than 55 lbs., but ACUASI did have drones the size of C-130s being tested. There were plans this summer to execute full-size drone operations at Fairbanks International Airport, he said.

REPRESENTATIVE MCCABE commented Airbus had already flown in France completely controlled by a computer.

CHAIR HOPKINS asked if there had been any outreach efforts by ACUASI of DOT&PF to advertise Alaska's work with drones.

DEPUTY COMMISSIONER BINDER replied most testing until now had been focused on specific industries and not intended for commercial or public use, but that was changing.

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REPRESENTATIVE HANNAN asked if firefighting response was being looked at.

DEPUTY COMMISSIONER BINDER replied yes, also bridge inspection, avalanche inspection/mitigation, power inspections. Unmanned aircraft saved so much money in addition to increasing safety and productivity, he added.

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REPRESENTATIVE MCCABE asked if the FAA had removed requirements for drones to be inside the operator.

DEPUTY COMMISSIONER BINDER replied requirements had only been removed in certain test cases; they were not yet dependable enough.

DEPUTY COMMISSIONER BINDER shared drones were being trained to test pavement fidelity and take measurements of runways, including material requirements, from images.

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The committee took an at-ease from 2:21 p.m. to 2:26 p.m.

HB 104-MOTOR FUEL TAX; VEHICLE REG. FEE

[2:26:08 PM](#)

REPRESENTATIVE ANDY JOSEPHSON, Legislator, Alaska State Legislature, as prime sponsor, introduced HOUSE BILL NO. 104, "An Act relating to vehicle registration and registration fees; relating to the motor fuel tax; and providing for an effective date." A doubling of fuel tax from \$.08 to \$.16 as HB 104 proposed did nothing to keep up with inflation, he stated. The \$.08 was set when the average wage was \$9K per year; in 2021 it was \$75K per year. Extra money would go toward road conditions and safety concerns, still leaving Alaska with one of the lowest tax rates in the country. Spill prevention and response would also benefit from the additional tax, he added, as in 2015 House Bill 158 added a \$.0095/gallon surcharge on motor fuel intended for the spill prevention and response fund. For the average driver, the cost would be about \$10 per year: this is how HB 104 came to be known as the "two-latte tax."

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REPRESENTATIVE HANNAN asked why aviation taxes have not increased since 1994?

NATHANIEL GRABMAN, Staff to Representative Andy Josephson, Alaska State Legislature, said taxes on airports went toward airport maintenance; if those fees had been increased, they would not be available to DOT&PF for road maintenance. Also, fees on aviation fuel and jet fuel put DOT&PF in a more competitive position nationally; concern had been raised that an increase would have a detrimental effect on planes coming into Alaska.

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REPRESENTATIVE JOSEPHSON clarified the "two-latte tax" referred to the urban driver; in rural areas it would be more.

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MR. GRABMAN presented HB 104, sharing Alaska's first motor fuel tax was levied in 1945 at \$.01/gallon. In 1970, motor fuel tax increased to \$.08/gallon, which is where it still is now. In 1977, marine fuel tax increased to \$.05/gallon, and in 1994 aviation fuel tax increased to \$.047/gallon. From September 1, 2008 until August 31, 2009 motor fuel tax was suspended on all fuel types, and in 2015, House Bill 158 added a \$.0095/gallon

surcharge on motor fuel intended for spill prevention and response fund, as Representative Josephson had mentioned.

MR. GRABMAN went over the current rates followed by what they would change to under HB 104: highway fuel would go from \$.08 to \$.16; marine Fuel would go from \$.05 to \$.10; aviation fuel and jet fuel would remain the same at \$.047 and \$.032 respectively; the refined fuels surcharge would go from \$.0095 to \$.015; and the off-road use refund would go from \$.06 to \$.12. Mr. Grabman mentioned there was a refund for fuel intended for commercial fishing vessels contained in HB 104.

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REPRESENTATIVE SPOHNHOLZ asked about the off-road use refund.

MR. GRABMAN replied fuel users on non-DOT&PF sponsored roads could apply for and receive refunds for snow machines, four wheelers, lawn mowers, and the like.

REPRESENTATIVE MCCABE offered it was known as the "Farmers' refund."

CHAIR HOPKINS asked if one just "went up to the counter" to receive the off-road use refund.

MR. GRABMAN replied yes.

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MR. GRABMAN went over slide 4 on HB 104's impact on the typical driver in Alaska. According to the Alaska Department of Motor Vehicles (DMV) there were about 645,434 registered passenger vehicles driven an average of 9,111 miles per year. If the average miles per year per Alaskan vehicle (9,111) is divided by the average miles per gallon (18.1) it can be determined that 503 gallons of fuel per year multiplied by the current motor fuel tax of \$.08 could be \$40.24 per year per driver. There would also be an increase to the biennial registration fee charged to electric vehicles (EVs) and plug-in hybrid vehicles, he added, as noted on slide 5. This fee would increase from \$100 to \$200 and \$150 per year respectively, he stated. The reason for the increase in registration is that EVs and hybrids still create wear and tear on roads, they should be paying a commensurate amount in fees.

MR. GRABMAN noted on slide 6 Alaska had the lowest tax rate on both highway fuel and marine fuel of any state; in most states, he pointed out, the marine rate was the same as the highway rate. With passage of HB 104, Alaska would remain well below the national average, moving from 50th to 43rd in highway fuel tax rate in comparison to other states, and would remain last in marine fuel taxes. Alaska currently has a more competitive ranking among other states for jet fuel (36th) and for aviation fuel (40th).

MR. GRABMAN reiterated Alaska's motor fuel tax of \$0.08/gallon had not changed since 1970. By way of comparison, he offered the Consumer Price Index (CPI) had increased by a factor of 6.74 times since 1970. Also, the average cost of a gallon of gas in the US was \$0.36/gallon in 1970, and in 2021 was now \$2.72 (7.56 times higher). In 1970, Alaskan per capita annual income was \$5,911. As of 2019, it was \$62,806 (10.63 times higher).

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CHAIR HOPKINS asked how, after the doubling of motor fuel tax, Alaska would go from 50th (lowest in the US) to 43rd place.

MR. GRABMAN directed attention to slide 9, which showed Alaska having the lowest rate. When HB factored in taxes and fees, it became 43rd, since states had different taxes. Pennsylvania did not have a state excise tax, he pointed out by way of example, despite having the second-highest motor fuel tax rate in the US.

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MR. GRABMAN explained slide 8 was a graph that represented the reduction of the real value of Alaska's motor fuel tax from 1970 to 2021. If HB 104 were to pass, an additional \$30 million per year would be added annually, he pointed out. In terms of marine fuels, approximately \$5.5 million would be added, less the commercial fishing refund. The refined fuel surcharge would bring in an additional \$3.5 million annually, and the additional registration fees for EVs and hybrids about \$87K if their use remained constant, more if their use continued to increase.

MR. GRABMAN moved on to slide 11, in which he discussed Silver Tip Maintenance Station's 2019 closure. Lower-than-expected revenue from the Motor Fuel Tax was cited in the closure, he imparted. DOT&PF has a deferred maintenance backlog of \$153.8 million for highways, and \$264.5 million total, he shared, and additional revenue could be used for any of the following:

increased safety and maintenance response times; increased maintenance operators; increased winter maintenance; increased response time to priority 1 roadways with more resources; availability to respond to priority 3 and 4 roads; increased number of maintenance stations; reduction of, and more manageable areas of, responsibility for operators; decreases in response times during storms; decreases in road closure times due to acts of nature; increased surface treatment chemicals and materials; and increased ability and resources to repair potholes and guardrails.

MR. GRABMAN showed a graph which showed that without additional revenue the Division of Spill Prevention and Response (SPAR) account faced insolvency in the very near future. Multiple staff positions have been lost, despite workload staying the same in that department.

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REPRESENTATIVE SPOHNHOLZ asked for an unpacking of the relationship between the SPAR account and HB 104.

MR. GRABMAN replied there was a \$.0095 surcharge on all fuels; that surcharge went toward SPAR account. At the time the charge was instated, it was not realized that certain entities such as local governments would be exempt. An increase to \$.015 in refined fuel surcharge would ameliorate this, he stated.

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REPRESENTATIVE HANNAN asked if there have been more spills, more things the account is being used for, or just erosion over time?

MR. GRABMAN said he would have to check.

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REPRESENTATIVE HANNAN asked what DOT&PF uses of SPAR account.

ROB CARPENTER, Deputy Commissioner, DOT&PF, replied maybe for cleanup and maintenance, but in terms of the operating and capital budgets he was not sure if any was used.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:52 p.m.